



## **Audit & Risk Management Committee Charter**

### **1. Introduction**

- 1.1 The Australian National University (ANU) Council has established the Audit and Risk Management Committee (ARMC) in compliance with section 32 of the Commonwealth Authorities and Companies Act 1997 (CAC Act).
- 1.2 This Charter sets out the ARMC's objective, authority, composition and tenure, roles and responsibilities (as well as the responsibilities of the individual members), and reporting and administrative arrangements.

### **2. Objective**

- 2.1 The objective of the ARMC is to provide independent assurance and assistance to the Council on the ANU's risk, control and compliance framework, and its external accountability responsibilities.

### **3. Authority**

- 3.1 The Council authorises the ARMC, within the scope of its role and responsibilities, to:
  - obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
  - discuss any matters with the ANU's external auditors, or other external parties (subject to confidentiality considerations);
  - request the attendance of any ANU employee or Council member at ARMC meetings; and
  - obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the ANU's expense.

### **4. Composition and Tenure**

- 4.1 The Council is responsible for the appointment of ARMC members.
- 4.2 The ARMC will consist of:
  - a Chair, who may be a non-executive member of the Council;
  - a member of Council (who may not be an ANU employee or student);
  - two independent members, who may not be a member of Council or ANU employee or student;
  - *ex officio*, the Chair of the Finance Committee.
- 4.3 Members will be appointed for an initial period of up to two years after which they will be eligible for extension or re-appointment, after a formal review of their performance.

- 4.4 The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the ANU. At least one member of the ARMC should have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.

## **5. Roles and Responsibilities**

- 5.1 The ARMC has no executive powers, unless delegated to it by the Council.
- 5.2 The ARMC is directly responsible and accountable to the Council for the exercise of its responsibilities. In carrying out its responsibilities, the ARMC must at all times recognise that primary responsibility for management of the ANU rests with the Vice-Chancellor.
- 5.3 The responsibilities of the ARMC may from time to time be revised or expanded in consultation with, or as requested by, the Council.
- 5.4 The ARMC shall also provide the Chancellor and, where appropriate, Council, with responses to inquiries on matters pertaining to audit, internal control, financial reporting and risk.
- 5.5 The committee's responsibilities are to:

### **5.5.1 Risk Management**

- review whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of the ANU's financial and business risks, including fraud;
- review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings;
- review the impact of the ANU's risk management framework on its control environment and insurance arrangements;
- review whether a sound and effective approach has been followed in establishing the ANU's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically;
- review the ANU's fraud control plan and satisfy itself the ANU has appropriate processes and systems in place to capture and effectively investigate fraud related information; and
- receive periodically (normally each Committee meeting) a report from the Director, Risk Management and Audit Office on the operation and performance of risk management in the University, including Occupational Health & Safety.

### **5.5.2 Control Framework**

- review whether management's approach to maintaining an effective internal control framework, including over external parties such as contractors and advisors, is sound and effective;
- review whether management has in place relevant policies and procedures, including Vice-Chancellor Instructions or their equivalent, and that these are periodically reviewed and updated;
- determine whether the appropriate processes are in place to assess, at least once a year, whether policies and procedures are complied with;
- review whether appropriate policies and procedures are in place for the management and exercise of delegations;
- consider how management identifies any required changes to the design or implementation of internal controls; and

- review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

#### 5.5.3 External Accountability

- review the financial statements and provide advice to the Council (including whether appropriate action has been taken in response to audit recommendations and adjustments), and recommend their signing by the Chair of the Council (Chancellor);
- satisfy itself that the financial statements are supported by appropriate management signoff on the statements and on the adequacy of the systems of internal controls;
- review the processes in place designed to ensure that financial information included in the ANU's annual report is consistent with the signed financial statements;
- satisfy itself that the ANU has a performance management framework that is linked to organisational objectives and outcomes.

#### 5.5.4 Legislative Compliance

- determine whether management has appropriately considered legal and compliance risks as part of the ANU's risk assessment and management arrangements; and
- review the effectiveness of the system for monitoring the ANU's compliance with relevant laws, regulations and associated government policies.

#### 5.5.5 Internal Audit

- act as a forum for communication between the Council, senior management, internal audit, and external audit;
- review internal audit coverage as outlined in the strategic and annual internal audit plans, ensure the plan is developed based on a prioritization of the audit universe using a risk-based methodology informed by the University's risk assessment outcomes, and recommend approval of the plan by the Council;
- advise the Council on the adequacy of the resources available to the Internal Audit activity to carry out its responsibilities, including completion of the approved internal audit plan;
- oversee the coordination of audit reviews conducted by internal audit, external audit and other review functions;
- review all of the Internal Audit activity's reports and provide advice to the Council on significant issues identified in those reports and action taken on issues raised, including identification and dissemination of good practice;
- monitor management's implementation of Internal Audit activity's recommendations;
- review the Internal Audit Charter to ensure appropriate organisational structures, authority, access, and reporting arrangements are in place; and
- periodically review the performance of the Internal Audit activity.

## **6. Responsibilities of Members**

- 6.1 Members of the ARMC are expected to understand and observe the legal requirements of the CAC Act. Members are also expected to:
- contribute the time needed to study and understand the papers provided;
  - apply good analytical skills, objectivity and good judgment; and
  - express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of enquiry.

## **7. Reporting**

- 7.1 The committee will regularly, but at least once a year, report to the Council on its operation and activities during the year. The report should include:
- a summary of the work the ARMC performed to fully discharge its responsibilities during the preceding year;
  - a summary of the ANU's progress in addressing the findings and recommendations made in internal and external reports;
  - an overall assessment of the ANU's risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting the ANU; and
  - details of meetings, including the number of meetings held during the relevant period, and the number of meetings each member attended.
- 7.2 The ARMC may, at any time, report to the Council any other matter it deems of sufficient importance to do so. In addition, at any time an individual committee member may request a meeting with the Chair of the Council (Chancellor).

## **8. Administrative Arrangements**

### **8.1 Meetings**

- 8.1.1 The ARMC will meet at least four times per year. A special meeting may be held to review the ANU's annual financial statements.
- 8.1.2 The Chair is required to call a meeting if asked to do so by the Council or another ARMC member.
- 8.1.3 A forward meeting plan, including meeting dates and agenda items, will be agreed by the ARMC each year. The forward meeting plan will cover all of the ARMC's responsibilities, as detailed in this charter.

### **8.2 Attendance at Meetings and Quorums**

- 8.2.1 A quorum will consist of three committee members.
- 8.2.2 Meetings can be held in person, by telephone or by videoconference.
- 8.2.3 The Director of Policy and Planning, Chief Finance Officer/Director of Finance & Business Services, Director, Risk Management & Audit Office, and representatives of the Australian National Audit Office may attend each meeting as an observer unless requested by the Chair of the ARMC not to attend a particular ARMC meeting or participate in certain agenda items.
- 8.2.4 The Chair of the ARMC may request any other ANU employee and/or external party to attend ARMC meetings or participate in certain agenda items.
- 8.2.5 External Audit and Internal Audit are to be afforded the opportunity of meeting privately with ARMC members only as required.

- 8.2.6 The Chair of the Council (Chancellor) and/or the Vice-Chancellor may be invited to attend ARMC meetings to participate in specific discussions or provide strategic briefings to the ARMC.
- 8.3 Secretariat
  - 8.3.1 The Council and Boards Secretariat will provide secretariat support to the ARMC. The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, after approval from the Chair, at least one week before the meeting, and ensure the minutes of the meetings are prepared and maintained. Minutes must be approved by the Chair and circulated to each member and ARMC observers, as appropriate.
- 8.4 Conflicts of Interest
  - 8.4.1 Once a year ARMC members will provide written declarations to the Council stating they do not have any conflicts of interest that would preclude them from being members of the ARMC.
  - 8.4.2 ARMC members must declare any conflicts of interest at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted.
  - 8.4.3 Where members or observers at ARMC meetings are deemed to have a real, or perceived, conflict of interest it may be appropriate that they are excused from ARMC deliberations on the issue where a conflict of interest exists.
- 8.5 Induction
  - 8.5.1 New members will receive relevant information and briefings on their appointment to assist them to meet their ARMC responsibilities.
- 8.6 Assessment Arrangements
  - 8.6.1 The Chair of the ARMC, in consultation with the Chair of the Council, will initiate a review of the performance of the ARMC at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Council) with appropriate input sought from the Council, the Vice-Chancellor, the internal and external auditors, management and any other relevant stakeholders, as determined by the Council.
- 8.7 Review of Charter
  - 8.7.1 At least once a year the ARMC will review this charter. This review will include consultation with the Council.
  - 8.7.2 Any substantive changes to the charter will be recommended by the ARMC and formally approved by the Council.

**Approved by Council February 2009**

## Internal Audit reporting protocols

### *Reviews conducted as part of the Annual Audit Plan*

Management report	Audit & Risk Management Committee report
<p>1 Internal Audit distributes a draft Management Report to areas involved in the review to check the <b>factual accuracy</b> of the information on which the internal audit conclusions will have been drawn.</p> <p><i>(Note: The Vice-Chancellor will be briefed immediately in the event a potential CR1 finding has been confirmed with the auditee representative<sup>1</sup>)</i></p> <p>2 <b>Exit meeting</b> between nominated auditee representative and Internal Audit to discuss and agree findings and recommendations (no later than 28 days of fieldwork completion).</p> <p>3 Where the Draft Management Report includes CR1, CR2 or CR3 rated findings a detailed <b>management action plan</b> is required. This will be prepared by the responsible area for inclusion in the report (no later than 14 days of the exit meeting). (In some cases, 'management action plans' will be management actions rather than only plans for action.)</p> <p>4. Management <b>Report sign-off</b> by Deloitte Partner, Director Risk Management &amp; Audit Office, and ANU auditee representative.</p> <p>5. <b>Audit &amp; Risk Management Committee report</b> prepared comprising a synopsis of overall findings plus detailed findings, recommendations and management action plans in respect of confirmed CR1, CR2 and CR3 rated findings.</p>	<p><i>(Note: Audit &amp; Risk Management Committee chair advised of <b>potential CR1 findings</b> once this has been confirmed with the Vice Chancellor)</i></p>

### ***Reviews initiated by management***

The Audit & Risk Management Committee will be informed of any internal audit activities which have been initiated by management. The Committee will not however receive a summary report unless:

- It requests a copy; and / or
- The review has identified CR1 / CR2 / CR3 matters.

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<sup>1</sup> The ANU auditee representative will usually be a member of the ANU Executive, except where the review targets a specific Local Area operation or central administrative activity.